

LAUREL SCHOOL DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING
AGREED-UPON PROCEDURES

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Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Valerie A. Woodruff
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

Mr. Keith Duda
Superintendent
Laurel School District
1160 South Central Avenue
Laurel, DE 19956

Dear Secretary Woodruff and Mr. Duda:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (the DOE) and Laurel School District (the District) solely to assist you, the specified parties in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Section 525. Procedures were performed for student accounting and enrollment as of September 30, 2006. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2006. Management is responsible for the District's internal control over compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Finding: Based on the obtainment of the District's written policies and procedures it is our determination that the policies and procedures set forth by the District for preparing, reviewing and reporting the September 30 student count are adequate. It was also our determination that these policies and procedures were being followed by the District as well as throughout the individual schools.

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding: The District properly reported enrollment figures to the DOE.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five “Individualized Education Program” (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE’s Administrative Manual for Special Education Services and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected were current and contained the required documentation in accordance with the DOE’s Administrative Manual for Special Education Services.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students’ files contain the required documentation in accordance with the DOE’s Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Finding: The District in their 2006 unit count reported no students in either Cooperative Education or Diversified Education Programs.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District’s control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District’s control procedures for monitoring and tracking salaries charged to the State’s general fund are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls includes written policies and procedures to ensure that each control objective is met.

The District has controls in place for monitoring, tracking and reconciling both employees and salaries charged to the State’s general fund; however, these controls are not compiled into a formal set of written policies and procedures due to District oversight. It is our determination that not having a formal set of written policies increases the potential risk of noncompliance.

Recommendation: In order to comply with State of Delaware's Budget and Accounting Policy Manual, it is our recommendation that the District develop a set of internal written policies and procedures regarding payroll to include the following:

- References to rules and regulations as stipulated by the DOE
- References to pertinent sections of DE Code
- Detailed procedures in reconciling actual staff to Division I units
- A management review process of staff listings and reconciliations including a time frame for completion

District Response: The District will continue to establish a written policy manual regarding payroll procedures.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

Finding: When comparing the actual number of paid positions by category to the number of authorized positions as determined by the State it was determined that the District was operating within its number of authorized positions by category.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents =	100%
Assistant Superintendents =	100%
Principals =	100%
Directors =	100%
Classroom Teachers =	10%

Finding: Delaware Code Title 14, Chapter 13 states that the amount for administrative responsibility for principals subordinate to a chief school officer shall be determined either in accordance with the following schedule or by multiplying the appropriate index value specified in the 2nd schedule by the amount provided under subsections (a), (b) and (d) of 1305 of Delaware Code Title 14, whichever is greater.

Years of Administrative Experience	Number of Teachers				
	15-29	20-29	30-39	40-59	60 Plus
0	\$ 851	\$ 1,101	\$ 1,350	\$ 1,726	\$ 2,103
1	1,101	1,350	1,601	1,976	2,352
2	1,350	1,601	1,851	2,228	2,602
3	1,601	1,851	2,103	2,478	2,853
4	1,851	2,103	2,352	2,728	3,103
5	1,969	2,246	2,518	2,930	3,341
6	2,079	2,378	2,671	3,116	3,560
7	2,183	2,502	2,816	3,292	3,767
8	2,373	2,702	3,025	3,516	4,005
9	2,563	2,902	3,234	3,740	4,243

Finding – continued:

Years of Administrative Experience	Number of Division I Units		
	15-24	25-59	60 Plus
0	0.08	0.09	0.10
1	0.09	0.10	0.11
2	0.10	0.11	0.12
3	0.11	0.12	0.13
4	0.12	0.13	0.14

During FY06, the District incorrectly calculated the amount for administrative responsibility for two principals. These principals were entitled to an index value of .13; however, the District used an index value of .12. The error was a result of the District not reconciling their Division I Units by school to the current index values being used to calculate the administrative responsibility. As a result, the District undercharged State funds by a total of \$1,112 and overcharged local funds by the same amount.

It is also our determination that the District overcharged State funds a total of \$7,111 and undercharged local funds the same amount due to a split coding input error on the part of the District for the salaries of three teachers sampled.

Recommendation: It is our recommendation that at the beginning of each fiscal year the District reconcile its Division I Units by school to the salaries of principals within the District to ensure the appropriate index value is being used.

It is further our recommendation that District reimburse \$5,999 to the State of Delaware and review all split funded salary positions to ensure both State funds and local funds are being charged appropriately.

District Response: At the beginning of FY07 the District developed a written procedure to verify State and local salary splits.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Finding: The District chose not to request a waiver from the DOE.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if FY05 and FY06 occupational-vocational funds expended from July 1, 2005 through June 30, 2006 were (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS).

Finding: All expenditures, relating to FY05 and FY06 occupational-vocational funding, were determined to be (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in DFMS.

Agreed-Upon Procedure Number 3: Review financial records to determine if FY05 and FY06 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

Finding: Chapter 14 of DE Code Subsection 1706 entitled "Determination of Amount of Division II Appropriation" states that Division II funds (occupational-vocational funds) with the exception of Division II – energy funds, shall be allocated to each school that generates these funds and expended to support State-approved occupational-vocational courses and programs at that school.

It is our determination that FY05 occupational-vocational funds were properly allocated but due to District oversight Laurel Middle School spent more than their allocation. As a result, Laurel Senior High and Western Sussex Academy were forced to spend less than their entitlement.

The following is a summary of FY05 occupational-vocational funds by school:

<u>School</u>	<u>Amount of Funding</u>		<u>Over/(Under)</u>
	<u>Allocated</u>	<u>Amount Expended</u>	
Laurel Middle	\$ 16,645	\$ 18,893	\$ 2,248
Laurel Senior High	35,538	34,499	(1,039)
Western Sussex Academy	<u>1,209</u>	<u>-</u>	<u>(1,209)</u>
	<u>\$ 53,392</u>	<u>\$ 53,392</u>	<u>\$ -</u>

Recommendation: It is our recommendation that the District implement a procedure which closely monitors the spending of occupational-vocational funds by school to comply with Chapter 14 of DE Code Subsection 1706.

It is further our recommendation that in order to comply with Chapter 14 of DE Code Subsection 1706 the District repay from local funds, \$2,248 to appropriation 0265-05 and make those funds available to the schools that generated the Fiscal Year 2005 occupational-vocational Division II funding.

District Response: The District will develop a procedure with the curriculum supervisor to more closely monitor the expenditures of occupational-vocational funds to ensure that schools within the District only expend the amount they are allocated.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

Ballint, Lyons & Shuman, P.A.

December 20, 2006
Wilmington, Delaware